

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF FINANCE
OFFICE OF FINANCIAL ACCOUNTABILITY
222 THIRD AVENUE NORTH, SUITE 315
NASHVILLE, TENNESSEE 37201

May 7, 2004

V. Carl George, Board Chair
Second Harvest Food Bank
608 20th Ave. North
Nashville, TN 37203

Dear V. Carl George:

Please find attached the Monitoring Report of Second Harvest Food Bank relating to the contracts it has with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2003.

The Office of Financial Accountability (OFA), formerly known as the Division of Grants Monitoring, is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to any nonprofit organizations. The OFA is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government. Staff from the OFA conducted the review on May 6, 2003.

We appreciate the assistance provided by your agency during the course of the review. If you have any questions, please call me at 615-880-1035.

Sincerely,

Fred Adom
Director

cc: David Manning, Director of Finance
Jaynee K. Day, President Second Harvest Food Bank
Bill Smith, Second Harvest Food Bank
Talia Lomax-O'dneal-Deputy Director of Finance
Mitzi Martin, Division of Accounts
Kim McDoniel, Internal Audit
Kevin Brown, Division of Grants Monitoring



Metropolitan Government of Nashville and Davidson County

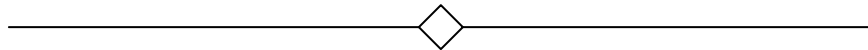
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◆ Monitoring Report of ◆

Second Harvest Food Bank



Issued by



Office of Financial Accountability

May 7, 2004

Fred Adom, CPA
Director

Kevin Brown,
Lead Auditor

Our Vision: To be excellent and proficient in monitoring and management services.

Monitoring Report for the Second Harvest Food Bank

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OBJECTIVES, SCOPE AND METHODOLOGY

The Office of Financial Accountability (herein after referred to as OFA) is charged with the responsibility of monitoring grant funds from Metropolitan Nashville Government to any nonprofit organizations, which receive appropriations from the Metropolitan Nashville and Davidson County government. The OFA is also responsible for monitoring the federal and state grants to departments within the Metropolitan Nashville Government.

We have completed a monitoring review of the Metropolitan Nashville Government grant to Second Harvest Food Bank for the year ended June 30, 2003. A monitoring review is substantially less in scope than an audit. The OFA did not audit the financial statements and accordingly, does not express an opinion or any assurance regarding the financial statements of Second Harvest Food Bank, Inc. Our objectives for this review were:

- 1) To determine whether the agency has the resources and capacity to administer the grant funds
- 2) To test if costs and service are allowable and eligible
- 3) To verify that program objectives are being met
- 4) To test the reliability of the financial and programmatic reporting
- 5) To test the reliability of internal controls
- 6) To verify contractual compliance
- 7) To verify that civil rights requirements are being met

The review was limited to the Metropolitan Government of Nashville and Davidson County grant to the Second Harvest Food Bank for the fiscal year ending June 30, 2003. Second Harvest Food Bank is an organization that provides food to different types of people. The agency is trying to relieve hunger and starvation in the Metro Area. The agency is running a program called the emergency food box program. The program was established so that people could receive an emergency food box that supplies an individual or household with food for up to four days. To accomplish our objectives of the monitoring review we:

- Interviewed the officials responsible for the grant management, financial reporting, and accountability.
- Reviewed a randomly selected sample of expenditures charged to the Metro grant.
- Reviewed controls and supporting documentation of expenditures for allowability, necessity and reasonableness of the costs incurred.
- Reviewed operations and activities offered by the Second Harvest Food Bank and its compliance with the intended beneficiaries of the grant funds.
- Reviewed Second Harvest Food Bank compliance with Civil Rights and ADA requirements regarding accessibility of the services to handicapped clients and measures taken to accommodate the needs of such clients.
- Reviewed the financial stability of the Second Harvest Food Bank and its ability to continue to administer the grant program funded by Metro.

RESULTS OF MONITORING

Our review revealed one finding of noncompliance. The Results of Monitoring section presents brief summaries of results of the testing performed including conclusions regarding the key objectives, recommendations for improvement and an action plan for implementing the conclusions. The results of the monitoring are listed below:

1. Possess necessary resources and capacity to administer the grant funds

Our review of the agency's accounting system, the qualification of the individuals assigned to manage the accounting records, and other available resources, indicate that the Second Harvest Food Bank possesses the necessary resources and expertise to administer the grants funds. The agency has an accounting department that handles the accounting function in-house. The fiscal manager has several years of accounting experience and is responsible for the recording of expenditures. The agency uses Macola accounting software that segregate activities of various programs. The accounting system segregates the various activities by the type of expenditure and then by the program. The Board of Directors meets 6 times a year and takes a very active role in the agency's operations.

2. Allowable and Eligible costs and services

The OFA normally reviews for the agency's compliance with any specific requirements outlined in the grant contract. The contract between Metropolitan Nashville Government and Second Harvest Food Bank for the year ended June 30, 2003, required Second Harvest Food Bank to use the grant funds to operate the emergency food box program, which supplies individuals or households with boxes of food that contains a four day supply. The individuals may not use the program more than twice in a six month period of time.

The grants manual specifies for the separate accounting of the Metropolitan Nashville Government grant funds to prohibit co-mingling of the Metro Funds with other sources of funding. The agency is compliance with this requirement of the grants manual. The agency has established different revenue classes as well as expenditure classes, so the agency can accurately track the sources and amounts of their funding. Also, the agency could easily and accurately report the expenses supported by the Metro Appropriation.

3. Program objectives being met

The contract between Metropolitan Nashville Government and Second Harvest Food Bank for the year ended June 30, 2003, required the agency to only serve individuals or households no more than twice within a six month period. The recipients are also responsible to provide proof of address. Only exceptions can be made for the homeless. The agency could not provide any documentation to demonstrate its compliance with this provision. See Finding #1 in the Finding and Recommendation.

4. Reliability of financial and programmatic reporting

The contract called for submission of an annual audit report performed by a Certified Public Accountant. Second Harvest Food Bank is required to submit to Metro reports of the program outcomes and a final expenditures report 45 days after the close of the contract.

RESULTS OF MONITORING

5. Reliability of internal controls

Our review of the internal controls of Second Harvest Food Bank did not reveal anything to indicate any weaknesses in their internal controls. The agency requires Board approval for invoices over a certain dollar limit before the agency purchases the items.

6. Contractual compliance

The agency's operations generally benefit Metro Nashville residents as required in the contract. The contract also required the agency to only allowing recipients of the emergency food box program to use the program twice within six months. Since the contract specified the previous clause, we were able to test for other contractual compliance.

7. Civil rights requirements

Our review did not reveal anything to indicate that Second Harvest Food Bank was not in compliance with civil rights requirements. The agency has a written affirmative action plan that addresses civil rights and the American Disabilities Act.

FINDING AND RECOMMENDATIONS

1. The agency is not in compliance with a major contract provision

Finding

The agency could not provide the auditors with any documentation to prove that the beneficiaries were not served more than twice within a six months time period. The manager of the program informed the OFA auditors that recipients are served three or more times within the six month period, which is contrary to the contract provision.

The contract states *“The grantee shall use these funds to support operation and food acquisition expenses for the Emergency Food Box program. This program provides boxes of food to supply an individual or household for four days. Recipients must provide proof of address and may only use the program twice within a six month period. Exceptions may be made for the Homeless.”* The Second Harvest Food bank has not established a mechanism for tracking services provided to clients, therefore could not provide a report that details the number of times an individual was served during the period reviewed. Failure to comply with the provisions of the contract could lead to questioned costs in the future.

Recommendations

Second Harvest Food Bank should take all necessary steps to comply with the provisions of the contract with Metro Nashville Government. Those measures should include but not limited to:

- 1. Establish a system to track number of times clients are served by the program**
- 2. Ensure clients are not served more than twice within six-month period**
- 3. Provide a mechanism to track services provided to homeless people and how often they are served**
- 4. Devise a mechanism to prove its compliance with the provisions of the contract while protecting the confidentiality of its clients information.**